

Message Text

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PAGE 01 STATE 227682

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ORIGIN AEC-07

INFO OCT-01 EUR-12 ISO-00 AID-05 CEQ-01 CIAE-00 COA-01

COME-00 DODE-00 EB-06 EPA-04 INR-07 IO-10 L-02 NSF-02

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TAGS: TECH

SUBJ: PORTUGUESE URANIUM ENRICHMENT CONTRACTS

REF: A. LISON 4272; B. STATE 221778 (NOTAL)

1. AS INDICATED REFTEL B, AEC IS PREPARED TO EXTEND THE OCT 31 DEADLINE (NOT OCT 23, AS REPORTED REFTEL A) FOR EXECUTION OF CONDITIONAL CONTRACTS FOR PERIOD OF APPROXIMATELY SIX WEEKS TO TWO MONTHS; SPECIFIC NEW DEADLINE DATE WILL BE ESTABLISHED LATER.

2. IN RESPONSE OTHER QUESTIONS RAISED REFTEL A:

A. AEC UNABLE TO GIVE FIRM CONTRACTUAL, REPEAT CONTRACTUAL, ASSURANCES OF SUPPLY SINCE TO DO SO WOULD, IN EFFECT, BE EQUIVALENT UNCLASSIFIED

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PAGE 02 STATE 227682

TO CONTRACTING FOR SEPARATIVE WORK IN EXCESS OF CAPABILITY OF ITS

EXISTING ENRICHMENT PLANTS. SUCH ACTION WOULD BE CONTRARY TO US ENRICHMENT SERVICES CRITERIA ESTABLISHED UNDER PROVISIONS OF ATOMIC ENERGY ACT. BEST ASSURANCE IS PRESIDENTIAL STATEMENT WHICH, AS YOU HAVE CORRECTLY ADVISED CPE, WILL BE HONORED BY PRESENT, AS WELL AS NIXON ADMINISTRATION. GIVING SUBSTANCE TO THIS ASSURANCE IS FACT THAT AEC PLANS STOCKPILE OF ENRICHED URANIUM WHICH CAN BE USED TO MAKE UP SEPARATIVE WORK SHORTAGES WHICH COULD OCCUR AS RESULT OF SLIPPAGES IN PRODUCTION FROM FUTURE US ENRICHMENT PLANTS.

B. AS RESULT FOREMENTIONED EXTENSION OF DEADLINE DATE, CPE NOW HAS ADDITIONAL TIME IN WHICH TO CONSIDER ALTERNATIVE ENRICHMENT SOURCES. IN EVENT CPE ENTERS INTO CONDITIONAL CONTRACT WITH AEC, THIS PARTICULAR TERMINATION CHARGE WOULD BE APPLICABLE ONLY IF FAVORABLE DECISION ON GENERIC APPROVAL OF PLUTONIUM RECYCLE IS MADE BY JUN 30, 1975. EVEN IF AEC WERE PREPARED TO EXTEND CONDITIONAL CONTRACT BEYOND JUN 30, IN EVENT GENERIC APPROVAL NOT GIVEN BY THAT DATE, IT COULD NOT DO SO WITHOUT AGREEMENT BY CPE. IT SHOULD BE NOTED THAT GIVING CUSTOMER UNCONDITIONAL RIGHT TO TERMINATE WITHOUT PENALTY DURING THIS LIMITED PERIOD WOULD BE INEQUITABLE TO AEC, SINCE AEC ACCEPTS A LIABILITY--CONTINGENT ONLY UPON GENERIC APPROVAL OF PLUTONIUM RECYCLE--TO RESERVE ENRICHMENT CAPACITY FOR SUCH CUSTOMERS, WITH CONCURRENT ECONOMIC AND PLANNING IMPLICATIONS. FURTHERMORE, SINCE GENERIC APPROVAL OF PLUTONIUM RECYCLE DEPENDS ON OBJECTIVE TECHNICAL AND ENVIRONMENTAL ANALYSES, AEC'S ABILITY TO TERMINATE IS SEVERELY CONSTRAINED AND ESSENTIALLY NOT, REPEAT NOT WITHIN ITS INDEPENDENT DISCRETION.

C. ALTHOUGH FOREGOING SUMMARIZES SUBSTANCE OF BASIC ISSUES INVOLVED, AEC WOULD BE PLEASED TO DISCUSS CONTRACT FURTHER IN WASHINGTON WITH CPE OR GOVERNMENT REPRESENTATIVES SHOULD THEY SO DESIRE. INGERSOLL

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